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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/538,750	03/30/2000	Jay S. Walker	00-017	8975
22927	7590	04/21/2005	EXAMINER	
WALKER DIGITAL FIVE HIGH RIDGE PARK STAMFORD, CT 06905			HAQ, NAEEM U	
			ART UNIT	PAPER NUMBER
			3625	

DATE MAILED: 04/21/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/538,750

Applicant(s)

WALKER ET AL.

Examiner

Naeem Haq

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 19 January 2005.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-55 and 65-70 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-32, 35-55 and 65-70 is/are rejected.
- 7) ☒ Claim(s) 33 and 34 is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|--|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input checked="" type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Election/Restrictions

The restriction requirement of the last Office Action is hereby withdrawn. Claims 1-61 and 65-70 are hereby reinstated.

Response to Amendment

This action is in response to the Applicants' Amendment filed July 21, 2004 and Applicants' Remarks filed on January 19, 2005. Claims 56-64 have been cancelled. Claims 1-55 and 65-70 are currently pending and will be considered for examination.

Drawings

Figures 2A and 2B should be designated by a legend such as --Prior Art-- because only that which is old is illustrated. See MPEP § 608.02(g). Corrected drawings in compliance with 37 CFR 1.121(d) are required in reply to the Office action to avoid abandonment of the application. The replacement sheet(s) should be labeled "Replacement Sheet" in the page header (as per 37 CFR 1.121(d)) so as not to obstruct any portion of the drawing figures. If the changes are not accepted by the examiner, the applicant will be notified and informed of any required corrective action in the next Office action. The objection to the drawings will not be held in abeyance.

Figures 2A and 2B show a merchant device (i.e. server) connected to a plurality of consumer devices (i.e. computers) via a communication network such as the Internet

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(see specification page 5, line 33 – page 6, line 21). This client-server model is old and well known in the art as evidenced by the following references:

US Patent 6,061,665 (Figure 2);

US Patent 5,907,547 (Figure 1);

US Patent 6,092,053 (Figure 1);

US Patent 6,125,352 (Figure 1);

US Patent 5,794,207 (Figure 1);

US Patent 6,041,308 (Figure 1).

Corrected drawings in compliance with 37 CFR 1.121(d) are required in reply to the Office action to avoid abandonment of the application.

Allowable Subject Matter

Claims 33 and 34 are objected to as being dependent upon a rejected base claim, but would be allowable if amended to overcome the 101 rejection and if rewritten in independent form including all of the limitations of the base claim **and all intervening claims**.

The following is a statement of reasons for the indication of allowable subject matter: Halbert does not teach that the transferable item price is encrypted. The Examiner notes that encrypting data is well known in the art; however, encrypting Halbert's price would destroy the reference because Halbert teaches that the price is made available to the buyer (column 8, lines 62-67).

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-55, 69, and 70 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

Referring to claims 1-55, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "whoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209

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USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the

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"technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a

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§101 rejection finding the claimed invention to be non-statutory. See Ex parte Bowman, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, claims 1-55 are not within the technological arts. Merely associating data in the memory of a computer device does not render the claim as a whole in the technological art because the critical limitation of determining is not positively recited as having any use of technology. Therefore, the claims 1-55 are directed towards non-statutory subject matter.

Claims 69 and 70 are directed to disembodied data structure which are per se not statutory. C.f. In re Wamerdam. Independent claims 69 and 70 recite a "computer-readable medium" that stores data organized according to a data structure and includes a data object which represents something (i.e. transferable item price). However, claims 69 and 70 do not recite any functional relationship to the medium. Simply claiming a data object which has no structural and functional relationship to the medium renders the claim as non-functional descriptive material.

"When functional descriptive material is recorded on some computer-readable medium it becomes structurally and functionally interrelated to the medium and will be statutory in most cases since use of technology permits the function of the descriptive material to be realized...When nonfunctional descriptive material is recorded on some computer-readable medium, it is not statutory since no requisite functionality is

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present to satisfy the practical application requirement. Merely claiming nonfunctional descriptive material stored in a computer-readable medium does not make it statutory.” (See MPEP 2016(IV)(B)(1)).

In the present case, claims 69 and 70 do not recite any functionality to satisfy the practical application requirement.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Claims 1-55 and 65-70 rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention. Independent claims 1, 65, and 68-70 recite the limitation “...irrespective of whether the second consumer would otherwise be entitled to purchase the item in exchange for payment of the amount.” This limitation lacks written support in the Applicants’ specification because the Applicants’ specification teaches against this limitation by stating “Note that not every consumer is entitled to purchase the item from the merchant at the transferable item price...”(page 5, lines 29-31).

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The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 6, 12-20, 48, and 49, are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which Applicant regards as the invention. These claims recite conditional statements which render the claims indefinite because the scope of the claims is unclear when the conditional statements are false.

Claim Rejections - 35 USC § 103

The text of those sections of Title 35, U.S. Code not included in this action can be found in a prior Office action.

Claims 1-8, 10-17, 19-32, 35-46, 48-55 and 65-70 are rejected under 35 U.S.C. 103(a) as being unpatentable over Halbert et al (US Patent 6,101,484).

Referring to claims 1-7, 27, 29, 35, 55 and 65-70, Halbert teaches a method, apparatus, and medium storing instructions for the method of facilitating a transaction, comprising:

- a processor and storage device in communication with said processor (Figure 1, column 7, lines 1-44);
- associating a transferable item price with a consumer (column 9, lines 15-17, lines 36-41);

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- determining that a consumer is entitled to purchase an item in exchange for payment of an amount based on the transferable item price (column 9, lines 47-58);
- determining the transferable item price associated with the consumer (column 4, lines 23-24; column 9, lines 44-49);
- wherein the determination of the transferable item price is based on an offer received from the consumer to purchase the item in exchange for payment of an offer price, the transferable item price being based on the offer price (column 3, lines 4-8; column 7, lines 45-65);
- wherein the offer received from the consumer comprises a binding offer and the offer price is defined by the consumer (column 1, lines 39-42; column 4, lines 40-46);
- wherein the consumer defines the offer price via entering the offer price (column 9, lines 11-13);
- wherein said associating is only performed if the offer received from the consumer is accepted (column 9, lines 44-58);
- wherein the determination of the transferable item price is based on the consumer purchasing the item in exchange for payment of a purchase price, wherein the transferable item price is based on the purchase price (column 9, lines 44-58).

Halbert does not explicitly teach that a second consumer is specified by the first consumer. However, Halbert teaches a "co-op" (column 4, lines 4-9) which inherently

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has a first and second consumer since the invention of Halbert requires a group of consumers. Furthermore, Halbert teaches that consumers are encouraged to invite their friends to participate in the co-op (column 11, lines 38 and 39). Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to allow a first consumer to specify a second consumer. One of ordinary skill in the art would have been motivated to do so in order to obtain a better final price by increasing the size of the co-op. Halbert also inherently teaches that the second consumer is entitled to purchase the item in exchange for payment of the amount because the first consumer transferred an entitlement to the transferable item price to the second consumer. Halbert teaches that the final group price is applied to all members of the group (i.e. first and second consumers) (column 4, lines 4-9, lines 23 and 24; column 9, lines 36-58). The Applicants' specification teaches that the first consumer transfers an entitlement to the transferable item price to the second consumer when it is determined that the second consumer is entitled to purchase an item in exchange for payment of an amount based on the transferable item price (see specification page 5, lines 26-29). Halbert teaches determining whether the second consumer qualifies for the transferable item price (column 9, lines 1-58). Furthermore, the Examiner notes that the limitation "wherein the second consumer is entitled to purchase the item in exchange for payment of the amount because the first consumer transferred an entitlement to the transferable item price to the second consumer and irrespective of whether the second consumer would otherwise be entitled to purchase the item in exchange for payment of the amount" is not functionally involved in the elements or steps of the recited system and

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method claims. Therefore this limitation is deemed to be nonfunctional descriptive material. The elements and steps of the corresponding system and method claims would be the same regardless of the nature of the first and second consumers. The differences between the Applicants' invention and the prior art are merely subjective. Thus this nonfunctional descriptive material will not distinguish the claimed invention from the prior art in terms of patentability, see *In re Gulack*, 703 F.2d 1381, 1385, 217 USPQ 401, 404 (Fed. Cir. 1983); *In re Lowry*, 32 F.3d 1579, 32 USPQ2d 1031 (Fed. Cir. 1994) also see MPEP 2106. Therefore, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to have any first and second consumers in the invention of Halbert because the nature of the consumers does not functionally or structurally relate to the steps and elements of the claimed method and system and because the subjective interpretation of information does not patentably distinguish the claimed invention.

Referring to claim 8, Halbert does explicitly teach that the transferable item price is based on an auction bid received from the first consumer. However, please note that Halbert's method is based on the "reverse auction" model. Therefore it is inherent in the method of Halbert that the transferable item price is based on an auction bid since the method of Halbert is a type auction.

Referring to claim 10, Halbert teaches that the item price varies over time and the determination of the transferable item price is based on a time that the first consumer provides an offer (column 7, lines 45-67; column 8, lines 1-60).

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Referring to claim 11, Halbert does not explicitly teach that the item is sold to consumers at a retail price and the transferable item price is different than the retail price. However, Halbert teaches that his method increases a supplier's overall profit by lowering the price per unit and increasing the sales volumes (column 3, lines 4-24). Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to increase overall profits by reducing the price per unit below the retail price and increasing sales volume. One of ordinary skill in the art would have been motivated to do so in order to make more money.

Referring to claims 12 and 13, Halbert teaches that determination if the transferable item price may be associated with the first consumer is based on information associated with the first consumer (column 9, lines 11-17, lines 50-54).

Referring to claims 14 and 41, Halbert does not explicitly teach that the information associated with the first or second consumer comprises a credit rating. However, Halbert teaches that the information associated with first consumer is a "credit number and other pertinent information." (column 9, lines 11-13). Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to associate a credit rating with the first user. One of ordinary skill in the art would have been motivated to do so in order to ensure that the consumer had the resources to submit a legitimate offer.

Referring to claims 15, 21, 22, and 28, Halbert teaches that the transferable item price associated with the first consumer is based on a bid submitted by a second consumer and vice versa (column 9, lines 1-58). Halbert further teaches that the

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information is received from the first and second consumers via a web page (column 7, lines 6-21).

Referring to claims 16 and 17, Halbert teaches that the transferable item price is based on an item for sale (column 1, lines 17-26; Figure 3A; column 7, lines 45-63).

Referring to claims 19, 20, 45, and 46, Halbert teaches that the transferable item price is associated with the first consumer based on a task performed by the first consumer wherein the task comprises providing information (column 9, lines 11-17).

Referring to claims 23-26, 36-38, 54, and 55 Halbert does not explicitly teach the limitations of these claims. However, Halbert teaches a method for facilitating a transaction by allowing individuals to aggregate their buying power into a buying co-op. Halbert also teaches that once a critical mass of buyers is achieved a final price is determined. This final price is based on the total number of acceptable offers received from buyers. Thus Halbert's invention is designed to lower the unit price of an item while increasing the effective yield (profit) for a seller as more offers are received from buyers. Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to increase the buying co-op by having the first buyer identify a plurality of additional buyers by e-mail, telephone number, etc. to the system of Halbert. One of ordinary skill in the art would have been motivated to do so in order to allow the co-op to grow as large as possible by inviting additional buyers into the co-op so that the buyers obtained the lowest unit price while the seller obtained maximum yield.

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Referring to claim 30, Halbert does not explicitly teach receiving the transferable item price code from the second consumer. However, Halbert teaches receiving a bid from the second user (column 9, lines 11-13). Furthermore, Halbert teaches that the bid may become a discount price if a critical mass is achieved (column 9, lines 44-58). Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to receive a transferable item price code from the second consumer if a critical mass was met in the invention of Halbert. One of ordinary skill in the art would have been motivated to do so in order to promote a sale if a critical mass was achieved in the invention of Halbert.

Referring to claim 31, Halbert teaches verifying the transferable item price code received from the second consumer (column 9, lines 15-17).

Referring to claim 32, Halbert does not explicitly teach comparing the transferable item price code transmitted to the first consumer and the transferable item price code received from the second consumer. However, Halbert teaches that the bid received from the second consumer is compared to the final co-op price to determine who is eligible for the discount price (column 9, lines 44-58). Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to compare the first and second consumer's transferable item price code in order to determine who was eligible for the discount price, as taught by Halbert.

Referring to claims 39, 40, 42-44, Halbert teaches that the determination that the second consumer is entitled to purchase the item in exchange for payment of the

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amount based on the transferable item price is based on a restriction associated with the transferable item price (column 1, lines 17-22; column 8, lines 62-64).

Referring to claims 48, 52, and 53, Halbert teaches that the first consumer is allowed to purchase the item at the transferable item price even if the second consumer purchases the item at the transferable item price (column 9, lines 47-58).

Referring to claim 49, Halbert does not explicitly teach that the first consumer is prevented from purchasing the item at the transferable item price if the second consumer purchases the item at the transferable item price. As noted above, the conditional "if" statement renders the claim indefinite. The Examiner will attempt to examine the claim as best as possible. Halbert teaches that a price curve for a product declines as the number of acceptable offers increase. Halbert provides an example of his invention where the product is a Mitsubishi™ 36" high definition television set that is limited to 1,000 units (column 7, line 45 – column 8, line 60). The price curve continues to decline until all 1,000 units are sold at a price that maximizes the seller's yield (Figure 3E, item "114"; column 8, lines 53-60). Nowhere does Halbert explicitly state that his invention stops receiving offers from buyers once a set number of units have been sold. This is because Halbert's system is designed to maximize a seller's yield. In order to do so, Halbert's system must receive more than 1,000 offers. Indeed Halbert even states that some offers are rejected if they are below a minimum price (column 7, lines 59-63). Therefore, the situation where one consumer is prevented from purchasing an item at the transferable item price if another consumer purchases the item at the transferable item price is an obvious outcome in the method of Halbert. If

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Halbert's system receives more than 1,000 offers above the minimum price then these offers are considered valid offers and will affect the price curve. However, in the example given above, the seller has only 1,000 units to sell. In such a case, some buyers will be prevented from buying the item at the transferable item price even though the transferable item price was applied to their offer. This is true because Halbert's method does not terminate the co-op based on the number of valid offers received but rather on when the seller has maximized its yield. For this reason, this limitation is rendered obvious. The motivation for such an outcome is provided by Halbert (i.e. to maximize the seller's yield).

Referring to claims 50 and 51, Halbert teaches that the transferable item price is dynamic and changes based on time (column 7, lines 45-67; column 8, lines 1-60).

Referring to claim 61, Halbert teaches that the final price is applied to all buyers making an offer above the final co-op price (column 9, lines 44-56). In order for a buyer to make an offer, Halbert requires the buyer provide his or her credit card information (column 9, lines 9-13).

Claim 9 is rejected under 35 U.S.C. 103(a) as being unpatentable over Halbert et al (US Patent 6,101,484) in view of Walker et al. (US Patent 6,119,100).

Referring to claim 9, Halbert does not teach that the transferable item price (i.e. final price) is based on a price at which a third party offers to sell a similar item. However, Walker teaches that it is well known in the art for a merchant to lower a price in response to a price reduction by a competitor (third party) (column 2, lines 6-8). Therefore it would have been obvious to one of ordinary skill in the art, at the time the

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invention was made, to allow the merchant of Halbert to base the final price on a price at which a third party offers to sell a similar item. One of ordinary skill in the art would have been motivated to do so in order to allow the merchant of Halbert to maintain its market share.

Claims 18 and 47 are rejected under 35 U.S.C. 103(a) as being unpatentable over Halbert et al (US Patent 6,101,484) in view of Pallakoff (US Patent 6,269,343 B1).

Referring to claim 18 and 47, Halbert teaches the limitations of claims 12 and 1 as noted above. Halbert does not teach that the transferable item price may be associated with the first consumer based on payment of a transfer fee amount by the first consumer. However, Pallakoff teaches a method of on-line marketing wherein a consumer pays a commission after receiving a discount from a seller (column 5, lines 38-45; column 9, lines 46-67; column 10, lines 1-12; column 12, lines 16-29). Therefore it would have been obvious to one of ordinary skill in the art, at the time the invention was made, to incorporate the teachings of Pallakoff into the method of Halbert. One of ordinary skill in the art would have been motivated to do so in order to allow the system operator to make money.

Response to Arguments

Applicants' arguments with respect to the rejection of claims 62-64 in the Remarks filed January 19, 2005 have been considered but are moot because the Applicants have cancelled these claims.

Applicants' arguments with respect to the rejection of claims 6, 48, and 49 under 35 U.S.C. §112, second paragraph, filed July 21, 2004 have been fully considered but they are not persuasive. The Applicants have argued that there is no ambiguity in the claims because the set of activities not performed are not infringed. The Examiner respectfully disagrees. The Applicants' claim language clearly encompasses both the true and false branches of the conditional statements otherwise there would be no need to use conditional statements in the claim language. For this reason, the claims are ambiguous. To overcome this problem the Examiner suggests that the Applicants rewrite the claims to remove the conditional statements.

Applicants' arguments with respect to claims 1, 65, and 68-70 have been considered but are moot in view of the new ground(s) of rejection.

Applicants' arguments with respect to claim 9 have been fully considered but they are not persuasive. The Applicants have argued that the motivation is broad, improper, and a mere conclusory statement. The Examiner respectfully disagrees. Halbert teaches establishing a price curve for a product that can move up or down in order to find the optimal selling point for the product (column 7, line 45 – column 8, line 60; Figures 3A-3E). Moreover, Halbert places no restriction on when the price curve can move up or down but rather allows the marketplace (i.e. supply and demand) to determine the selling price. Walker teaches that it is well known in the art for a merchant to lower a price in response to a price reduction by a competitor (third party). Therefore a price reduction by a competitor would affect the market price in the invention of Halbert because it would lower the demand for the product. For this

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reason, the Examiner maintains that the motivation to combine is *not* broad, improper, or a mere conclusory statement.

Applicants' arguments with respect to claims 18 and 47 have been fully considered but they are not persuasive. The Applicants' have argued that there is no motivation to combine the references. The Examiner respectfully disagrees. Both Halbert and Pallakoff are directed to the invention of group buying where the final sales price of an item is determined by the number of people willing to purchase the item. Halbert is silent on requiring a user to pay a fee in order to participate in the group. However, Pallakoff requires the users to pay a fee before participating the group buying. Therefore one of ordinary skill in the art would recognize that Pallakoff supplements Halbert's invention because Pallakoff and Halbert are analogous art.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Naeem Haq whose telephone number is (703)-305-3930. The examiner can normally be reached on M-F 8:00am-5:00pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn W. Coggins can be reached on (703)-308-1344. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

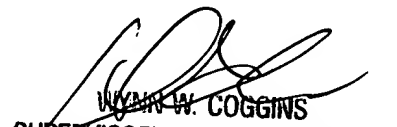
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Naeem Haq, Patent Examiner
Art Unit 3625

April 12, 2005



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